

Chapter 2

Strategic E–Business/ IT Alignment for SME Competitiveness

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ABSTRACT

Many small and medium enterprises (SMEs) have used e-business models for enhancing their competitiveness. As the needs of SMEs grow, however, so does e-business/ IT strategic alignment. Although some techniques have been proposed in literature to find and evaluate business/ IT strategic alignment, they largely suffer from lack of objectivity and integration. In this chapter, the authors propose a practical lightweight interview-based method that permits us to align e-business and IT strategies and to obtain investment priorities per software development process and area, towards improvements on service quality and business profitability. This method incorporates goal modeling and the Strategic Alignment Modeling techniques to address the growing needs of SMEs, to avoid inconsistencies and to increase confidence in compiled data and modeling results.

INTRODUCTION

Small and Medium Enterprises (SMEs) are key engines of major economies, but usually con-

strained by tight budgets, lack of skilled personnel, tough competition from other SMEs and large enterprises, and certain state policies and laws. Accordingly, SMEs have sought after a good means improve SMEs' competitiveness, in particular, in e-business.

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The success and performance of an SME inevitably is affected by its competitive edge over whatever business offers similar products and services. Successful enterprises always take into account competitiveness as an essential intrinsic feature of business success, especially for small and medium-sized enterprises where being competitive is a key issue to survive and guarantee a long-term evolution.

Importantly, competitiveness is almost always considered synonymous with the quality and achievement of an SME's strategies and objectives, together with its productivity and ability for designing and producing and market products and services superior to those offered by the SME's competitors. Competitive, of course, is also, at least partially, the result of relationships between firms and local business environment, while at the same time being dependent on social and economic objectives synergy and influenced by factors from external environment (Porter & Ketels, 2003).

A critical step for an SME to achieve a competitive edge is to adopt, where advisable, a good e-business model which captures the vision of a SME in consideration of the needs of its customers who will ultimately cause the success, or lack thereof, of the SME. This becomes especially important when SMEs are reluctant to adopt e-business solutions, failing to see the value of such solutions.

Business today is under increasing pressure to improve performance, and success largely depends on a company's ability to re-invent itself to adapt to changing circumstances. So, it is necessary a close cooperation exists between business and IT functions within a company, in a manner to enable the company to adaptably convert strategic business goals into effective IT solutions (Corbett & Molloy, 2000).

Not surprisingly, lots of research has been done on the issue of strategic alignment. A key observation from such research is that the empirical findings indeed support the hypothesis that those organizations that successfully align their

business strategies with their IT strategies will outperform those that do not. A good alignment leads to a more focused and strategic use of IT, which, in turn, leads to increased performance (Chang & Reich, 2007).

While taking into consideration the particular constraints that most SMEs are faced with, we need to provide a cost-effective way to help business managers, engineers and stakeholders in general with the adoption of an e-business model. *But, how do we systematically address, and hopefully achieve, strategic e-business/ IT alignment?*

The main objective of this research is to provide a practical and lightweight interview-based method to help with aligning high level business concerns with IT strategic ones, using simple, yet useful, techniques and models, while deploying some best practices. It is a process as a whole to create a propitious scenario for a safe adoption of an e-business model.

The chapter is structured starting with a brief background on forces and factors that affect SME e-business adoption and success, focusing on business strategies and strategic barriers as key issues to tackle. Next, it is presented with e-business/ IT alignment as an effective tool to tackle some of those issues. For such alignment, a practical, lightweight, cost-effective, interview-based method is organized in terms of four main steps:

- *The interview core process*: A very well known technique for data gathering from stakeholders.
- *The application of the Delphi method*: A proved method to increase data quality and reach consensus. These two first steps go together for the whole process.
- *The goal modeling and alignment*: This is the main step, using the Strategic Model Alignment (SAM), the goal modeling technique and some best practices for the e-business/ IT alignment by comparison.
- *The application of Quality Function Deployment (QFD)*: A commonly-used

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